

CITY OF NEW LONDON
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2020

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City of New London

Officials

(Before January 2020)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ron Sadler	Mayor	Dec 2023
Kirk Miller	Mayor Pro tem	Dec 2023
January Benjamin	Council Member	Dec 2023
Brad Helmerson	Council Member	Dec 2021
Scott Campbell	Council Member	Dec 2021
Dan Berner	Council Member	Dec 2021
Jodi Jackson	Utility Board Chairman	Nov 2021
Jerry Wilhelm	Utility Trustee	Nov 2025
Steve Rotter	Utility Trustee	Nov 2021
Shanon Wellington	Utility Trustee	Nov 2023
Bob Byczek	Utility Trustee	Nov 2025
Kasi A. Howard	City Clerk/Treasurer	Indefinite
Patsy Dillon	Deputy Clerk	Indefinite

(After January 2020)

Ron Sadler (dec. Mar 2020)	Mayor	Dec 2023
Kirk Miller (app. Mar 2020)	Mayor	Dec 2021
Dan Berner	Mayor Pro tem	Dec 2021
January Benjamin	Council Member	Dec 2023
Brad Helmerson	Council Member	Dec 2021
Scott Campbell	Council Member	Dec 2021
Travis Benz	Council Member	Dec 2021
Jodi Jackson	Utility Board Chairman	Nov 2021
Jerry Wilhelm	Utility Trustee	Nov 2025
Steve Rotter	Utility Trustee	Nov 2021
Shanon Wellington	Utility Trustee	Nov 2023
Bob Byczek	Utility Trustee	Nov 2025
Kasi A. Howard	City Clerk/Treasurer	Indefinite
Patsy Dillon	Deputy Clerk	Indefinite

TED M. WIEGAND, CPA

606 East Madison Street

Mount Pleasant, Iowa 52641

Telephone (319) 385-4701

E-mail tdwiegand@mchsi.com

Independent Auditor's Report

To the Honorable Mayor and Members of the City Council and Utility Board:

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of New London, Iowa as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of New London as of June 30, 2020, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. My opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of New London's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the seven years ended June 30, 2019 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the two years ended June 30, 2012 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated February 22, 2021 on my consideration of the City of New London's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of New London's internal control over financial reporting and compliance.

TED M. WIEGAND, CPA

February 22, 2021

Basic Financial Statements

City of New London
Cash Basis Statement of Activities and Net Position
As of and For the Year Ended June 30, 2020

Functions/Programs:	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Governmental activities:							
Public safety	\$ 371,498	4,664	35,948	-	(330,886)	-	(330,886)
Public works	311,667	-	243,837	-	(67,830)	-	(67,830)
Culture and recreation	242,749	5,295	14,435	-	(223,019)	-	(223,019)
Community and economic development	43,248	-	-	112,451	69,203	-	69,203
General government	166,048	3,453	-	-	(162,595)	-	(162,595)
Capital projects	370,439	-	-	-	(370,439)	-	(370,439)
Total governmental activities	1,505,649	13,412	294,220	112,451	(1,085,566)	-	(1,085,566)
Business type activities:							
Electric	1,739,155	1,858,304	-	-	-	119,149	119,149
Sewer	497,477	541,150	-	-	-	43,673	43,673
Water	439,352	427,257	-	-	-	(12,095)	(12,095)
Sanitation	174,072	176,077	-	-	-	2,005	2,005
Total business type activities	2,850,056	3,002,788	-	-	-	152,732	152,732
Total	\$ 4,355,705	3,016,200	294,220	112,451	(1,085,566)	152,732	(932,834)
General Receipts and Transfers:							
Property tax levied for general purposes					522,223	-	522,223
Local option sales tax					188,677	-	188,677
Unrestricted interest on investments					13,633	25,890	39,523
Loan proceeds					439,122	-	439,122
Miscellaneous					169,377	14,381	183,758
Sale of capital assets					13,903	11,164	25,067
Transfers					9,802	(9,802)	-
Total general receipts and transfers					1,356,737	41,633	1,398,370
Change in cash basis net position					271,171	194,365	465,536
Cash basis net position beginning of year					732,120	2,265,054	2,997,174
Cash basis net position end of year					\$ 1,003,291	2,459,419	3,462,710
Cash Basis Net Position							
Restricted:							
Expendable:							
Streets					\$ 77,495	-	77,495
Debt service					85	564,555	564,640
Unrestricted					925,711	1,894,864	2,820,575
Total cash basis net position					\$ 1,003,291	2,459,419	3,462,710

See notes to financial statements.

City of New London
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2020

	General	Road Use Tax	Capital Projects	Nonmajor	Total
Receipts:					
Property tax	\$ 372,410	-	-	149,753	522,163
Other city tax	14,273	-	-	188,677	202,950
Licenses and permits	3,453	-	-	-	3,453
Use of money and property	13,554	-	7,144	-	20,698
Intergovernmental	225,216	243,837	-	-	469,053
Charges for service	13,530	-	-	-	13,530
Miscellaneous	90,584	-	-	-	90,584
Total receipts	733,020	243,837	7,144	338,430	1,322,431
Disbursements:					
Operating:					
Public safety	301,024	-	-	70,474	371,498
Public works	32,125	248,522	-	31,020	311,667
Culture and recreation	201,243	-	-	41,506	242,749
Community and economic development	43,248	-	-	-	43,248
General government	152,037	-	-	14,011	166,048
Capital projects	-	-	370,439	-	370,439
Total disbursements	729,677	248,522	370,439	157,011	1,505,649
Excess of receipts over disbursements	3,343	(4,685)	(363,295)	181,419	(183,218)
Other financing sources (uses):					
Loan proceeds	-	-	439,122	-	439,122
Transfers in	49,000	-	-	-	49,000
Transfers out	(12,198)	-	-	(27,000)	(39,198)
Total other financing sources (uses)	36,802	-	439,122	(27,000)	448,924
Change in cash balances	40,145	(4,685)	75,827	154,419	265,706
Cash balance, beginning of year	221,375	82,180	225,324	230,011	758,890
Cash balance, end of year	\$ 261,520	77,495	301,151	384,430	1,024,596
Cash Basis Fund Balances					
Restricted for:					
Road use purposes	\$ -	77,495	-	-	77,495
Debt service	-	-	-	85	85
Other purposes	-	-	-	384,345	384,345
Assigned for:					
Library purposes	105,626	-	-	-	105,626
Capital project purposes	-	-	301,151	-	301,151
Unassigned	155,894	-	-	-	155,894
Total cash basis fund balance	\$ 261,520	77,495	301,151	384,430	1,024,596

See notes to financial statements.

City of New London
Reconciliation of the Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position -
Governmental Funds
As of and for the year ended June 30, 2020

Total governmental funds cash balances (page 8) \$ 1,024,596

Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the cash balance of the Internal Service Fund is included in governmental activities in the Cash Basis Statement of Activities and Net Position.

(21,305)

Cash basis net position of governmental activities (page 7) \$ 1,003,291

Change in cash balances (page 8) \$ 265,706

Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the change in the cash balance of the Internal Service Fund is reported with governmental activities in the Cash Basis Statement of Activities and Net Position.

5,465

Change in cash basis net position of governmental activities (page 7) \$ 271,171

See notes to financial statements.

City of New London
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2020

	Enterprise Funds					Internal Service Employee Health
	Electric	Sewer	Water	Nonmajor	Total	
Operating receipts:						
Charges for service	\$ 1,858,304	541,150	427,257	176,077	3,002,788	-
Miscellaneous	818	3,085	5,418	16,781	26,102	1,607
Total operating receipts	1,859,122	544,235	432,675	192,858	3,028,890	1,607
Operating disbursements:						
Governmental activities:						
Public safety	-	-	-	-	-	6,006
Public works	-	-	-	-	-	1,026
Culture and recreation	-	-	-	-	-	1,155
General government	-	-	-	-	-	1,711
Business type activities	1,403,128	203,146	365,952	190,134	2,162,360	9,777
Total operating disbursements	1,403,128	203,146	365,952	190,134	2,162,360	19,675
Excess (deficiency) of operating receipts over (under) operating disbursements	455,994	341,089	66,723	2,724	866,530	(18,068)
Non-operating receipts (disbursements):						
Sale of capital assets	-	11,164	-	-	11,164	-
Interest on investments	17,620	4,213	3,596	461	25,890	-
Miscellaneous	-	2,475	-	-	2,475	-
Debt service	(336,027)	(294,331)	(73,400)	-	(703,758)	-
Net non-operating receipts (disbursements)	(318,407)	(276,479)	(69,804)	461	(664,229)	-
Excess of receipts over disbursements	137,587	64,610	(3,081)	3,185	202,301	(18,068)
Transfers in	-	-	-	-	-	25,400
Transfers out	(6,095)	(13,027)	(5,080)	(11,000)	(35,202)	-
Change in cash balances	131,492	51,583	(8,161)	(7,815)	167,099	7,332
Cash balances beginning of year	1,467,703	398,171	210,558	41,943	2,118,375	275
Cash balances end of year	\$ 1,599,195	449,754	202,397	34,128	2,285,474	7,607
Cash Basis Fund Balances						
Restricted for debt service	\$ 330,079	228,914	5,562	-	564,555	-
Unrestricted	1,269,116	220,840	196,835	34,128	1,720,919	7,607
Total cash basis fund balances	\$ 1,599,195	449,754	202,397	34,128	2,285,474	7,607

See notes to financial statements.

City of New London
Reconciliation of the Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position -
Proprietary Funds
As of and for the year ended June 30, 2020

Total enterprise funds cash balances (page 10) \$ 2,285,474

Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the cash balance of the Internal Service Fund is included in business type activities in the Cash Basis Statement of Activities and Net Position.

173,945

Cash basis net position of business type activities (page 7) \$ 2,459,419

Change in cash balances (page 10) \$ 167,099

Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the change in the cash balance of the Internal Service Fund is reported with business type activities in the Cash Basis Statement of Activities and Net Position.

27,266

Change in cash basis net position of business type activities (page 7) \$ 194,365

See notes to financial statements.

City of New London

Notes to Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies

The City of New London is a political subdivision of the State of Iowa located in Henry County. It was incorporated in 1861 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides electric, water, refuse collection and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of New London has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the GASB criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Southeastern Iowa Regional Planning Commission, Henry County Emergency Management Commission, and Henry County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories:

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

The Special Revenue, Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary funds:

The Enterprise, Electric Fund accounts for the operation and maintenance of the City owned electric utility system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The City also reports the following proprietary fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1.5% per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects tax asking contained in the budget certified to the City Council in March 2019.

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2020, disbursements exceeded the amounts budgeted in the public works, community and economic development, and general government functions before the budget was amended.

(2) Cash and Investments

The City's deposits in banks at June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's had no investments other than certificates of deposit during the year ended June 30, 2020.

(3) Bonds and Notes Payable

A summary of changes in bonds and notes payable for the year ended June 30, 2020 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
General Obligation Capital Loan Notes	\$ -	410,000	-	410,000	-
Business-type activities:					
Sewer Revenue Capital Loan Bond	265,000	-	41,000	224,000	42,000
Sewer Revenue Bond	3,179,675	33,209	215,000	2,997,884	
Water Revenue Bond	291,000	-	17,000	274,000	17,000
Electric Rev. Refdg. Cap. Loan Notes	2,870,000	-	260,000	2,610,000	265,000
Water Revenue Capital Loan Notes	729,000	-	36,000	693,000	37,000
Business-type activities total	\$7,334,675	33,209	569,000	6,798,884	361,000

General Obligation Capital Loan Notes

A summary of the City's June 30, 2020 general obligation capital loan notes is as follows:

Year Ending June 30,	Infrastructure		
	Issued Sep 18, 2019		
	Interest Rates	Principal	Interest
2021	1.70%	\$ -	10,675
2022	1.70	25,000	10,675
2023	1.70	25,000	10,250
2024	1.70	25,000	9,825
2025	1.70	25,000	9,400
2026-2030	1.70-3.00	125,000	38,675
2031-2035	3.00	150,000	18,750
2036	3.00	35,000	1,050
Total		<u>\$ 410,000</u>	<u>109,300</u>

On September 18, 2019, the City issued \$410,000 of general obligation capital loan notes with interest rates of 1.7% and 3.0%. The notes were issued for infrastructure. During the year ended June 30, 2020, the City paid \$7,502 of interest on the notes.

Revenue Notes and Bonds

A summary of the City's June 30, 2020 revenue notes and bonds payable is as follows:

Year Ending June 30,	Sewer Revenue Bond			Electric Revenue Refunding			Water Revenue Bond		
	Issued Apr 7, 2005			Issued Jul 14, 2016			Issued Mar 28, 2014		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2021	3.00%	\$ 42,000	6,720	2.00%	\$ 265,000	62,850	1.75%	\$ 17,000	4,795
2022	3.00	43,000	5,460	2.00	275,000	57,550	1.75	17,000	4,498
2023	3.00	45,000	4,170	2.00	280,000	52,050	1.75	18,000	4,200
2024	3.00	46,000	2,820	2.25	280,000	46,450	1.75	18,000	3,885
2025	3.00	48,000	1,440	2.25	290,000	40,150	1.75	19,000	3,570
2026-2030		-	-	2.50-3.00	1,220,000	88,075	1.75	99,000	12,812
2031-2035		-	-		-	-	1.75	86,000	3,798
Total		<u>\$ 224,000</u>	<u>20,610</u>		<u>\$ 2,610,000</u>	<u>347,125</u>		<u>\$ 274,000</u>	<u>37,558</u>

Year Ending June 30,	Water Revenue Bond			Total		
	Issued Nov 4, 2016					
	Interest Rates	Principal	Interest	Principal	Interest	Total
2021	1.75%	\$ 37,000	12,128	\$ 361,000	86,493	447,493
2022	1.75	38,000	11,480	373,000	78,988	451,988
2023	1.75	39,000	10,815	382,000	71,235	453,235
2024	1.75	40,000	10,133	384,000	63,288	447,288
2025	1.75	40,000	9,433	397,000	54,593	451,593
2026-2030	1.75	214,000	36,314	1,533,000	137,201	1,670,201
2031-2035	1.75	235,000	16,889	321,000	20,687	341,687
2036	1.75	50,000	875	50,000	875	50,875
Total		<u>\$ 693,000</u>	<u>108,067</u>	<u>\$ 3,801,000</u>	<u>513,360</u>	<u>\$ 4,314,360</u>

The maturity schedule for the sewer revenue bond issued February 14, 2014 is not included here because the final amortization cannot be completed. There is a grant component to the debt that has not been completed that will affect the interest rate and principal balance. More detailed information on this bond is included below.

Electric Revenue Refunding Capital Loan Notes and Sewer Revenue Capital Loan Bond

The City has pledged future electric customer receipts, net of specified operating disbursements, to repay \$3,130,000 of electric revenue refunding capital loan notes issued in July 2016. The notes were issued to retire the electric revenue capital loan notes dated April 28, 2011 which provided financing for the construction of the Wind Turbine. The notes are payable solely from electric customer net receipts and are payable through June 1, 2029. The total principal and interest remaining to be paid on the notes is \$2,957,125. For the current year, principal and interest paid and total customer net receipts were \$328,050 and \$455,994, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$727,000 for the sewer revenue bond issued in April 2005. The bond is payable solely from sewer customer net receipts and is payable through 2025. Annual principal and interest payments on the notes are expected to require less than 25% of net receipts. The total principal and interest remaining to be paid on the notes is \$244,610. For the current year, principal and interest paid was \$45,638. Combined with the other sewer revenue bonds, the total principal and interest paid was \$289,653. Customer net receipts for the sewer system were \$341,089.

The resolutions providing for the issuance of the electric revenue note and the sewer revenue bond include the following provisions:

- (a) The bond or note will only be redeemed from the future earnings of the enterprise activity and the bond or note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate electric and sewer sinking funds within the Enterprise Funds for the purpose of making the bond and note principal and interest payments when due.
- (c) Electric user charges must be established at a level which produces and maintains net revenues at a level not less than 110% of principal and interest requirements of the next fiscal year.
- (d) Sewer user charges must be established at a level which produces and maintains net revenues at a level not less than 110% of principal and interest requirements of the next fiscal year.

Sewer Revenue Bond

On February 14, 2014, the City entered into a loan agreement with the Iowa Finance Authority for the issuance of \$4,891,000 of sewer revenue bonds with interest at 1.75% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued to finance wastewater treatment plant improvements. The note bears interest at 1.75% per annum and has a servicing fee of 0.25% per annum. Bond principal and interest are payable semiannually on June 1 and December 1 of each year until the loan is paid in full. The loan is scheduled to be paid in full on June 1, 2034.

The proceeds of the loan were disbursed to the City on a cost reimbursement basis until the project is completed. As of June 30, 2020, the loan balance was \$2,997,884. For

the current year, principal and interest paid was \$244,015. Combined with the other sewer revenue bonds, the total principal and interest paid was \$289,653. Customer net receipts for the sewer system were \$341,089.

The resolutions providing for the issuance of the sewer revenue bonds issued under the loan agreements between the City, the Iowa Finance Authority and the Iowa Department of Natural Resources include the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the fund.
- (b) User rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the amount of principal and interest on all the sewer revenue bonds falling due in the same year.

Water Revenue Bonds

On March 28, 2014, the City entered into a loan agreement with the Iowa Finance Authority for the issuance of \$370,000 of water revenue bonds with interest at 1.75% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued to finance the water main improvement project. Bond principal, interest, and servicing fees are payable semiannually on June 1 and December 1 of each year until the loan is paid in full. The loan is scheduled to be paid in full on June 1, 2034. The proceeds of the loan were disbursed to the City on a cost reimbursement basis until the project is completed. As of June 30, 2020, the loan balance was \$274,000. For the current year, principal and interest paid were \$17,000 and \$5,093, respectively.

On November 4, 2016, the City entered into a loan agreement with the Iowa Finance Authority for the issuance of \$834,000 of water revenue capital loan notes (also called bonds) with interest at 1.75% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The loan proceeds provided financing for the construction of drinking water treatment facilities. Principal, interest, and servicing fees are payable semiannually on June 1 and December 1 of each year until the loan is paid in full. The loan is scheduled to be paid in full on June 1, 2036. The proceeds of the loan were disbursed to the City on a cost reimbursement basis until the project is completed. As of June 30, 2020, the loan balance was \$693,000. For the current year, principal and interest paid were \$36,000 and \$12,758, respectively.

(4) Self-Insured Health Benefits

The City has an agreement to provide certain health benefits to its employees. The City pays 100% of the premium for health insurance, 80% of the deductible, and 100% of the out of pocket maximum after the deductible has been met. The total maximum reimbursement liability of the City is \$135,000. The City's actual cost related to this reimbursement for the year ended June 30, 2020 was \$19,676.

(5) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or

decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the “entry age normal” actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.61% of covered payroll and the City contributed 9.91% of covered payroll, for a total rate of 16.52%.

The City’s contributions to IPERS for the year ended June 30, 2020 totaled \$86,939.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the City reported a liability of \$518,978 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on the City’s share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the City’s proportion was 0.008949%, which was an increase of 0.000104% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City’s pension expense, deferred outflows of resources and deferred inflows of resources totaled \$121,075, \$106,641 and \$133,353, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS’ investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of

return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	100.0%	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$1,054,974	\$518,978	\$69,557

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(6) **Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and comp time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and comp time payable to employees at June 30, 2020 is as follows:

Type of Benefit	Amount
Vacation	\$ 35,500
Comp time	<u>6,500</u>
Total	<u>\$ 42,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2020.

(7) Related Party Transactions

The City had business transactions with City officials or employees totaling \$486 during the year ended June 30, 2020.

(8) Major Supplier

The City purchases electric power through the Resale Power Group of Iowa. The total amount purchased was \$603,557, which represents 99.96% of the total kilowatt hours purchased.

(9) Franchise Fees

The City receives franchise fees from Mediacom Communications Corporation at 5% of their gross subscriber revenue. The agreement will expire in February of 2028.

(10) Unconditional Guarantee

On April 4, 2008, the City of New London, upon resolution of the City Council, agreed to guarantee the performance by the New London Community and School District Foundation (Foundation) of all terms and conditions of the agreement between the Foundation and the United States Department of Agriculture (USDA). The loan was to finance the construction of a child-care facility. The New London Community School District is the fee title holder of record, but subject to a leasehold interest granted to the Foundation.

The City of New London, upon notification by the USDA of any default of non-performance of said agreement by the Foundation, shall make payments to cure said default out of any funds of the City of New London, Iowa, including out of its General Operating Fund or its Debt Service Fund established pursuant to Iowa Code 384.4. During the year ended June 30, 2020, the City of New London made three (3) payments of \$4,437 on behalf of the Foundation.

This Unconditional Guarantee shall be binding on all successive city councils as it is the intent of the City of New London that this Unconditional Guarantee shall exist for as long as the indebtedness to the USDA is outstanding. The City waives all defenses to this Unconditional Guarantee and pledges its full faith and credit to the repayment and guarantee of the loan. As of June 30, 2020, the outstanding loan balance was \$840,965.

(11) Lease Commitment

On April 29, 2010, the City entered into a 25-year real estate lease for the purpose of erecting, maintaining and operating a wind turbine for the purpose of generating electricity. The lease was amended on March 21, 2012 with the following terms. The lease is renewable on a year-to-year basis at the end of the 25-year term. The City agreed to pay the real estate taxes and special assessments related to the parcel of land. The annual payment is subject to increases every 5 years based upon the most recent

U.S. Bureau of Labor Midwest Region Consumer Price Index. Total rent expense for the year ended June 30, 2020 was \$6,000.

The future minimum lease payments under this agreement are as follows:

Year Ending <u>June 30,</u>	
2021	\$ 6,000
2022	6,000
2023	6,000
2024	6,000
2025	6,000
Thereafter	<u>57,000</u>
Total	\$ <u>87,000</u>

(12) Inter-fund Transfers

The detail of inter-fund transfers for the year ended June 30, 2020 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 27,000
	Enterprise:	
	Sewer	11,000
	Sanitation	<u>11,000</u>
		<u>49,000</u>
Internal Service:		
Employee Health fund	General	12,198
	Enterprise:	
	Sewer	2,027
	Water	5,080
	Electric	<u>6,095</u>
		<u>25,400</u>
Total		\$ <u>74,400</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(13) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Other Information

City of New London

Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds
Other Information
Year ended June 30, 2020

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 522,163	-	522,163
Other city tax	202,950	-	202,950
Licenses and permits	3,453	-	3,453
Use of money and property	20,698	28,365	49,063
Intergovernmental	469,053	-	469,053
Charges for service	13,530	3,002,788	3,016,318
Miscellaneous	90,584	26,102	116,686
Total receipts	1,322,431	3,057,255	4,379,686
Disbursements:			
Public safety	371,498	-	371,498
Public works	311,667	-	311,667
Culture and recreation	242,749	-	242,749
Community and economic development	43,248	-	43,248
General government	166,048	-	166,048
Capital projects	370,439	-	370,439
Business type activities	-	2,866,118	2,866,118
Total disbursements	1,505,649	2,866,118	4,371,767
Excess (deficiency) of receipts over (under) disbursements	(183,218)	191,137	7,919
Other financing sources, net	448,924	(24,038)	424,886
Net changes in cash balances	265,706	167,099	432,805
Cash balances beginning of year	758,890	2,118,375	2,877,265
Cash balances end of year	\$ 1,024,596	2,285,474	3,310,070

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net Total
		Variance
519,624	519,624	2,539
196,688	196,688	6,262
2,325	2,325	1,128
34,890	34,890	14,173
632,574	632,574	(163,521)
3,136,300	3,136,300	(119,982)
94,150	94,150	22,536
4,616,551	4,616,551	(236,865)
379,898	399,898	28,400
278,426	322,426	10,759
202,039	246,039	3,290
400	44,400	1,152
136,377	186,377	20,329
750,700	750,700	380,261
3,315,798	3,315,798	449,680
5,063,638	5,265,638	893,871
(447,087)	(649,087)	657,006
442,000	442,000	(17,114)
(5,087)	(207,087)	639,892
3,027,865	3,027,865	(150,600)
3,022,778	2,820,778	489,292

City of New London

Notes to Other Information – Budgetary Reporting

June 30, 2020

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$202,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2020, disbursements exceeded the amounts budgeted in the public works, community and economic development, and general government functions before the budget was amended.

City of New London
Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Six Years*

Other Information

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's proportion of the net pension liability	0.008949%	0.008845%	0.008265%	0.007704%
City's proportionate share of the net pension liability	518,978	558,668	545,602	488,916
City's covered payroll	900,718	843,604	741,566	687,079
City's proportionate share of the net pension liability as a percentage of its covered payroll	57.62%	66.22%	73.57%	71.16%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

<u>2016</u>	<u>2015</u>
0.007275%	0.008398%
364,219	295,951
682,250	701,853
53.38%	42.17%
85.19%	87.61%

City of New London
Schedule of City Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years

Other Information

	2020	2019	2018	2017
Statutorily required contribution	\$ 86,939	86,452	76,958	67,405
Contributions in relation to the statutorily required contribution	(86,939)	(86,452)	(76,958)	(67,405)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered-employee payroll	910,633	900,718	843,604	741,566
Contributions as a percentage of covered-employee payroll	9.55%	9.60%	9.12%	9.09%

* - The City's covered-employee payroll information was not readily available. Therefore, contributions as a percentage of covered-employee payroll could not be calculated.

See accompanying independent auditor's report.

2016	2015	2014	2013	2012	2011
62,657	62,734	65,190	63,275	58,838	52,900
(62,657)	(62,734)	(65,190)	(63,275)	(58,838)	(52,900)
-	-	-	-	-	-
687,079	682,250	701,853	699,768	698,528	*
9.12%	9.20%	9.29%	9.04%	8.42%	*

City of New London

Notes to Other Information – Pension Liability

Year ended June 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2015. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

Supplementary Information

City of New London
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2020

	Special Revenue			
	Local Option Sales Tax	Employee Benefits	Debt Service	Total
Receipts:				
Property tax	\$ -	149,753	-	149,753
Other city tax	188,677	-	-	188,677
Total receipts	188,677	149,753	-	338,430
Disbursements:				
Operating:				
Public safety	-	70,474	-	70,474
Public works	-	31,020	-	31,020
Culture and recreation	-	41,506	-	41,506
General government	-	14,011	-	14,011
Total disbursements	-	157,011	-	157,011
Excess of receipts over disbursements	188,677	(7,258)	-	181,419
Other financing sources (uses):				
Transfers out	(27,000)	-	-	(27,000)
Change in cash balances	161,677	(7,258)	-	154,419
Cash balances beginning of year	158,374	71,552	85	230,011
Cash balances end of year	\$ 320,051	64,294	85	384,430
Cash Basis Fund Balances				
Restricted for debt service	\$ -	-	85	85
Restricted for other purposes	320,051	64,294	-	384,345
Total cash basis fund balances	\$ 320,051	64,294	85	384,430

See accompanying independent auditor's report.

Schedule 2

City of New London
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances
Nonmajor Proprietary Funds
As of and for the Year Ended June 30, 2020

	Sanitation	Utility Deposits	Total
Operating receipts:			
Charges for service	\$ 176,077	-	176,077
Miscellaneous	-	16,781	16,781
Total operating receipts	176,077	16,781	192,858
Operating disbursements:			
Business type activities	174,072	16,062	190,134
Total operating disbursements	174,072	16,062	190,134
Excess (deficiency) of operating receipts over (under) operating disbursements	2,005	719	2,724
Non-operating receipts (disbursements):			
Interest on investments	461	-	461
Net non-operating receipts (disbursements)	461	-	461
Excess of receipts over disbursements	2,466	719	3,185
Transfers out	(11,000)	-	(11,000)
Change in cash balances	(8,534)	719	(7,815)
Cash balances beginning of year	14,654	27,289	41,943
Cash balances end of year, unrestricted	\$ 6,120	28,008	34,128

See accompanying independent auditor's report.

City of New London
Schedule of Indebtedness
Year Ended June 30, 2020

Schedule 3

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
General obligation capital loan notes:								
Infrastructure	Sep 18, 2019	1.70-3.00%	\$ 410,000	-	410,000	-	410,000	7,502
Revenue bonds/notes:								
Sewer revenue capital loan bond	Apr 7, 2005	* 1.75%	\$ 727,000	265,000	-	41,000	224,000	4,638
Sewer revenue bond	Feb 14, 2014	* 1.75	4,208,795	3,179,675	33,209	215,000	2,997,884	29,015
Water revenue bond	Mar 28, 2014	* 1.75	370,000	291,000	-	17,000	274,000	5,093
Electric rev. refdg. cap. loan notes	Jul 14, 2016	2.00-3.00	3,130,000	2,870,000	-	260,000	2,610,000	68,050
Water revenue bond	Nov 4, 2016	* 1.75	834,000	729,000	-	36,000	693,000	12,758
Total				<u>\$7,334,675</u>	<u>33,209</u>	<u>569,000</u>	<u>6,798,884</u>	<u>119,554</u>
Other debt:								
Two Rivers Bank-fire truck	May 15, 2014	2.30%	\$ 138,010	63,388	-	15,724	47,664	1,293
Danville SSB - street sweeper	Oct 1, 2018	3.75	100,000	75,840	-	33,057	42,783	2,240
Total				<u>\$ 139,228</u>	<u>-</u>	<u>48,781</u>	<u>90,447</u>	<u>3,533</u>
Total all debt				<u>\$7,473,903</u>	<u>\$ 443,209</u>	<u>\$ 617,781</u>	<u>\$7,299,331</u>	<u>\$130,589</u>

* The City is also required to annually pay a .25% servicing fee on the outstanding principal balance.

See accompanying independent auditor's report.

City of New London
Bond and Note Maturities
June 30, 2020

Year Ending June 30,	<u>General Obligation Capital Loan Notes Infrastructure Issued Sep 18, 2019</u>	
	Interest	
	Rates	Amount
2021	1.70%	\$ -
2022	1.70	25,000
2023	1.70	25,000
2024	1.70	25,000
2025	1.70	25,000
2026	1.70	25,000
2027	3.00	25,000
2028	3.00	25,000
2029	3.00	25,000
2030	3.00	25,000
2031	3.00	30,000
2032	3.00	30,000
2033	3.00	30,000
2034	3.00	30,000
2035	3.00	30,000
2036	3.00	35,000
		<u>\$ 410,000</u>

See accompanying independent auditor's report.

City of New London
Bond and Note Maturities
June 30, 2020

Schedule 4

Revenue Bonds and Notes									
Year Ending June 30,	Sewer Revenue Bond		Electric Rev. Refunding		Water Revenue Bond		Water Revenue Bond		Total
	Issued Apr 7, 2005		Capital Loan Notes		Issued Mar 28, 2014		Issued Nov 4, 2016		
	Interest		Interest		Interest		Interest		
	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	
2021	3.00%	\$ 42,000	2.00%	\$ 265,000	1.75%	\$ 17,000	1.75%	\$ 37,000	361,000
2022	3.00%	43,000	2.00%	275,000	1.75%	17,000	1.75%	38,000	373,000
2023	3.00%	45,000	2.00%	280,000	1.75%	18,000	1.75%	39,000	382,000
2024	3.00%	46,000	2.25%	280,000	1.75%	18,000	1.75%	40,000	384,000
2025	3.00%	48,000	2.25%	290,000	1.75%	19,000	1.75%	40,000	397,000
2026		-	2.50%	295,000	1.75%	19,000	1.75%	41,000	355,000
2027		-	2.50%	300,000	1.75%	19,000	1.75%	42,000	361,000
2028		-	3.00%	310,000	1.75%	20,000	1.75%	43,000	373,000
2029		-	3.00%	315,000	1.75%	20,000	1.75%	44,000	379,000
2030		-		-	1.75%	21,000	1.75%	44,000	65,000
2031		-		-	1.75%	21,000	1.75%	45,000	66,000
2032		-		-	1.75%	21,000	1.75%	46,000	67,000
2033		-		-	1.75%	22,000	1.75%	47,000	69,000
2034		-		-	1.75%	22,000	1.75%	48,000	70,000
2035		-		-		-	1.75%	49,000	49,000
2036		-		-		-	1.75%	50,000	50,000
		<u>\$224,000</u>		<u>\$2,610,000</u>		<u>\$274,000</u>		<u>\$693,000</u>	<u>\$3,801,000</u>

The maturity schedule for the sewer revenue bond issued February 14, 2014 is not included here because the final amortization has not been completed. There is a grant component that has not been completed that will affect the interest rate and principal balance, and therefore the amortization can not be finalized. The principal balance is \$2,997,884 at June 30, 2020. The maturity date is June 1, 2034.

See accompanying independent auditor's report.

City of New London
Schedule of Receipts By Source and Disbursements by Function -
All Governmental Funds

For the Last Ten Years

	2020	2019	2018	2017
Receipts:				
Property tax	\$ 522,163	513,781	492,524	479,970
Other city taxes	202,950	203,849	189,653	445,682
Licenses and permits	3,453	2,338	2,403	1,738
Use of money and property	20,698	17,960	15,976	14,633
Intergovernmental	469,053	603,663	370,882	118,246
Charges for services	13,530	34,485	17,374	8,675
Miscellaneous	90,584	106,653	63,031	66,737
Total	\$ 1,322,431	1,482,729	1,151,843	1,135,681
Disbursements:				
Operating:				
Public safety	\$ 371,498	417,467	392,701	271,290
Public works	311,667	457,068	264,514	234,762
Culture and recreation	242,749	258,513	275,158	260,739
Community and economic development	43,248	122,832	13,146	398
General government	166,048	149,645	145,779	124,454
Debt service	-	-	-	-
Capital projects	370,439	235,570	21,257	177,525
Total	\$ 1,505,649	1,641,095	1,112,555	1,069,168

See accompanying independent auditor's report.

Schedule 5

2016	2015	2014	2013	2012	2011
468,143	456,737	426,160	398,964	416,154	394,362
431,131	179,427	187,197	152,435	155,866	156,254
1,588	1,738	1,807	375	875	595
13,334	14,471	9,223	81,176	75,107	73,605
102,715	314,483	296,393	230,982	225,214	244,286
10,759	7,556	26,782	22,553	26,162	28,799
68,523	96,437	39,844	92,795	61,034	63,884
1,096,193	1,070,849	987,406	979,280	960,412	961,785
290,221	348,958	329,467	271,290	306,548	299,799
273,387	304,682	327,416	214,972	191,681	174,753
213,516	174,498	186,563	156,039	158,927	144,401
370	390	10,047	-	-	-
110,073	111,042	122,145	174,526	164,832	158,555
-	-	153,602	86,471	114,802	7,776
293,552	97,304	-	2,139	41,351	260,827
1,181,119	1,036,874	1,129,240	905,437	978,141	1,046,111

TED M. WIEGAND, CPA

606 East Madison Street

Mount Pleasant, Iowa 52641

Telephone (319) 385-4701

E-mail tdwiegand@mchsi.com

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and Members of the City Council and Utility Board:

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of New London, Iowa, as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued my report thereon dated February 22, 2021. My report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City of New London's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of New London's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of New London's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, I identified deficiencies in internal control I consider to be material weaknesses and a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of New London's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies in internal control described in the accompanying Schedule of Findings as items A through C to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I noted no deficiencies that I would consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of New London's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of New London's Responses to the Findings

The City of New London's responses to the findings identified in my audit are described in the accompanying Schedule of Findings. The City of New London's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of New London during the course of my audit. Should you have any questions concerning any of the above matters, I would be pleased to discuss them with you at your convenience.

TED M. WIEGAND, CPA

February 22, 2021

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

A. Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition – There is a lack of adequate segregation of duties in the following areas for the City: Cash, Investments, Long-Term Debt, Receipts, Disbursements, Payroll, and Financial Reporting.

Cause – The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response – The City will continue to review operating procedures and segregate employee duties to the extent financially feasible to maximize internal control.

Conclusion – Response accepted.

B. Financial Reporting

Criteria – Management is responsible for the preparation and fair presentation of the financial statements and accompanying notes to the financial statements in accordance with the cash basis of accounting.

Condition – The City relies on the auditor to provide the non-audit services of preparing the financial statements and footnotes because management does not possess the technical knowledge and expertise to prepare and present the financial statements and accompanying footnotes to the financial statements in conformity with all applicable accounting standards.

Cause – The City has a limited number of employees and does not require the City Clerk to possess the technical knowledge and expertise necessary to prepare and present financial statements and accompanying footnotes in conformity with all applicable accounting standards.

Effect – The City relies on the auditor to prepare the financial statements and related footnotes.

City of New London
Schedule of Findings
Year ended June 30, 2020

Recommendation – City management must assume all management responsibilities for the preparation of the financial statements and related footnotes. City management needs to designate an individual who possesses the suitable skill, knowledge, or experience to oversee the financial statement preparation services provided by the auditor, evaluate the adequacy and results of the services performed, and accept responsibility for the results of the services.

Response – The City Clerk is the individual designated by the City who possesses the suitable skill, knowledge, and experience to oversee the financial statement preparation services. The City Clerk evaluates and assists in the preparation of the financial statements and footnotes, and the City accepts responsibility for the same.

Conclusion – Response accepted.

C. Annual Financial Report

Criteria – Management is responsible for the preparation and correct presentation of an Annual Financial Report to the State Department of Management each year and an Outstanding Obligations Report to the State Treasurer each year.

Condition – The City did not include the issuance of \$410,000 General Obligation Capital Loan Notes in the reporting of the Annual Financial Report or the Outstanding Obligations Report.

Cause – Simple oversight by the City Clerk, and a lack of adequate segregation of duties or independent reviews of the reports before submission.

Effect – Incomplete reporting of the City's debt on reports that are supposed to include all City debt amounts.

Recommendation – The City should report the \$410,000 General Obligation Capital Loan Notes on the next Annual Financial Report and Outstanding Obligations Report. The City should consider obtaining a second review of these reports before submitting. This could be a City Council member or the mayor.

Response – The City will report the \$410,000 General Obligation Capital Loan Notes on the next Annual Financial Report and Outstanding Obligations Report.

Conclusion – Response accepted.

City of New London
Schedule of Findings
Year ended June 30, 2020

Other Findings Related to Required Statutory Reporting:

1. Certified Budget – Disbursements during the year ended June 30, 2020 exceeded the amounts budgeted in the public works, community and economic development, and general government functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

2. Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
3. Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
4. Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Don Warth, Public Works Employee	Lot Mowing	\$ 240
Bob Byczek, Utility Trustee	Solar energy, oil for compressor	246

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions do not appear to represent conflicts of interest since total transactions with each individual were less than \$6,000 during the fiscal year.

5. Bond Coverage – The Mayor has surety bond coverage. All other officials and employees are covered by employee crime insurance coverage through the purchase of a commercial insurance policy.
6. City Council Minutes – No transactions were found that I believe should have been approved in the City Council minutes but were not.
7. Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
8. Revenue Bonds and Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.